



uMfolozi Municipality
(Registration number KZN281)
Annual Financial Statements
for the year ended 30 June 2018
Auditor General South Africa

uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	Local Municipality
Executive committee	
Mayor	Cllr SW Mgenge
Deputy Mayor	Cllr SR Thabethe
Speaker	Cllr ZD Mfusi
Committee Member	Cllr NT Mthiyane
Committee Member	Cllr ST Khumalo
Committee Member	Cllr BM Mkhize
Grading of local authority	1
Accounting Officer	K E Gamede
Chief Finance Officer (CFO)	K N Mthethwa
Registered office	25 Bredelia Street Kwa-Mbonambi 3915
Postal address	P.O Box 96 Kwa-Mbonambi 3915
Bankers	ABSA Bank
Auditors	Auditor General South Africa
Telephone	(035) 580-1421
Fax Number	(035) 580-1141
E-mail Address (Accounting Officer)	gamedeke@mbonambi.co.za

uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2018

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

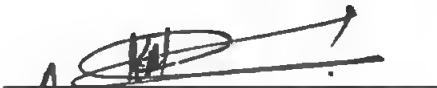
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on pages 4 to 54, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:



KE Gamede
Accounting Officer

uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	5,558,476	5,338,350
Receivables from non-exchange transactions	4	-	61,938
VAT receivable	5	6,797,663	5,891,508
Cash and cash equivalents	7	428,466	1,613,719
		12,784,605	12,905,515
Non-Current Assets			
Property, plant and equipment	8	244,939,698	229,201,409
Intangible assets	9	761,780	950,294
		245,701,478	230,151,703
Total Assets		258,486,083	243,057,218
Liabilities			
Current Liabilities			
Other financial liabilities	10	1,223,707	1,223,707
Finance lease obligation	11	1,692,401	1,728,379
Payables from exchange transactions	12	32,169,608	34,487,103
Unspent conditional grants and receipts	13	5,223,279	6,044,449
Provisions	41	40,000	-
		40,348,995	43,483,638
Non-Current Liabilities			
Other financial liabilities	10	5,865,978	6,283,565
Finance lease obligation	11	3,193,684	5,280,405
		9,059,662	11,563,970
Total Liabilities		49,408,657	55,047,608
Net Assets			
Accumulated surplus		209,077,426	188,009,610
		209,077,426	188,009,610

* See Note 38 & 37

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Notes	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	14	476,258	343,326
Rental of facilities and equipment	15	163,424	194,305
Licences and permits		517,889	364,080
Operational revenue	16	374,628	946,416
Interest received - investment		1,123,224	1,687,239
Total revenue from exchange transactions		2,655,423	3,535,366
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	17	13,483,564	7,501,917
Transfer revenue			
Government grants & subsidies	18	157,333,045	144,413,841
Fines, Penalties and Forfeits		5,416,098	1,042,122
Transfer revenue		-	13,833,749
Donations received	19	1,128,147	-
Total revenue from non-exchange transactions		177,360,854	166,791,629
Total revenue		180,016,277	170,326,995
Expenditure			
Employee related costs	20	(47,634,576)	(39,373,414)
Remuneration of councillors	21	(10,490,739)	(8,861,422)
Depreciation and amortisation	22	(8,032,065)	(8,210,786)
Impairment loss	23	(7,663,718)	(701,615)
Finance costs	24	(1,609,652)	(1,119,446)
Lease rentals on operating lease		(578,773)	(731,866)
Debt Impairment	25	(6,456,397)	(6,807,320)
Contracted services	26	(44,698,139)	(47,537,972)
Transfers and Subsidies		(1,531,755)	-
Operational costs	27	(30,669,962)	(31,659,407)
Total expenditure		(159,365,776)	(145,003,248)
Operating surplus		20,650,501	25,323,747
Gain on disposal of assets and liabilities		216,227	-
Surplus for the year		20,866,728	25,323,747

* See Note 38 & 37

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Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	163,723,617	163,723,617
Adjustments		
Correction of errors	(1,037,755)	(1,037,755)
Balance at 01 July 2016 as restated*	162,685,862	162,685,862
Changes in net assets	25,323,748	25,323,748
Surplus for the year restated		
Total changes	25,323,748	25,323,748
Restated* Balance at 01 July 2017	188,210,696	188,210,696
Changes in net assets	20,866,730	20,866,730
Surplus for the year		
Total changes	20,866,730	20,866,730
Balance at 30 June 2018	209,077,426	209,077,426

Note(s)

Refer to note 37 for the correction of error

* See Note 38 & 37

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Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		5,269,875	3,473,366
Grants		158,960,007	144,894,000
Interest income		1,123,224	1,687,239
Other receipts		179,128	277,745
Fines		294,320	-
		165,826,554	150,332,350
Payments			
Employee costs		(58,125,315)	(46,633,519)
Suppliers		(73,701,932)	(65,844,018)
Finance costs		(1,609,652)	-
		(133,436,899)	(112,477,537)
Net cash flows from operating activities	29	32,389,655	37,854,813
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(30,437,078)	(40,657,450)
Proceeds from sale of property, plant and equipment	8	648,000	-
Purchase of other intangible assets	9	(112,454)	(1,096,491)
Net cash flows from investing activities		(29,901,532)	(41,753,941)
Cash flows from financing activities			
Repayment of other financial liabilities		(1,223,708)	7,507,272
Finance lease payments		(2,449,668)	(2,205,029)
Net cash flows from financing activities		(3,673,376)	5,302,243
Net (decrease)/ increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		(1,185,253)	1,403,115
Cash and cash equivalents at the end of the year	7	428,466	1,613,719

* See Note 38 & 37

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget 2017/2018	Adjustments	Final Budget 2017/2018	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	338,000	(400)	337,600	476,258	138,658	41
Rental of facilities and equipment	520,000	(300,000)	220,000	163,424	(56,576)	
Interest received (debtors)	100,000	300,000	400,000	179,128	(220,872)	
Licences and permits	400,000	-	400,000	517,889	117,889	
Interest received - investment	800,000	(300,000)	500,000	1,123,224	623,224	
Total revenue from exchange transactions	2,158,000	(300,400)	1,857,600	2,459,923	602,323	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	5,975,000	2,499,540	8,474,540	13,483,564	5,009,024	
Transfer revenue						
Government grants & subsidies	156,062,000	2,374,540	158,436,540	157,333,045	(1,103,495)	
Fines, Penalties and Forfeits	800,000	(500,000)	300,000	5,416,098	5,116,098	
Other revenue	15,004,540	(14,773,220)	231,320	1,128,147	896,827	
Total revenue from non-exchange transactions	177,841,540	(10,399,140)	167,442,400	177,360,854	9,918,454	
Total revenue	179,999,540	(10,699,540)	169,300,000	179,820,777	10,520,777	
Expenditure						
Employee Related Costs	(42,903,692)	(3,390,399)	(46,294,091)	(47,634,576)	(1,340,485)	
Remuneration of councillors	(8,848,757)	(1,641,983)	(10,490,740)	(10,490,739)	1	
Depreciation and amortisation	-	(1,800,000)	(1,800,000)	(8,032,065)	(6,232,065)	
Impairment loss/ Reversal of impairments	-	-	-	(7,663,718)	(7,663,718)	
Finance costs	-	(152,624)	(152,624)	(1,609,652)	(1,457,028)	
Lease rentals on operating lease	-	-	-	(578,773)	(578,773)	
Debt Impairment	-	(265,000)	(265,000)	(6,456,397)	(6,191,397)	
Contracted Services	(4,800,000)	(33,842,702)	(38,642,702)	(44,698,139)	(6,055,437)	
Transfers and Subsidies	-	(1,210,000)	(1,210,000)	(1,531,755)	(321,755)	
Operational Costs	(63,447,551)	32,404,926	(31,042,625)	(30,669,960)	372,665	
Other materials	-	(3,180,368)	(3,180,368)	-	3,180,368	
Total expenditure	(120,000,000)	(13,078,150)	(133,078,150)	(159,365,774)	(26,287,624)	
Operating surplus	59,999,540	(23,777,690)	36,221,850	20,455,003	(15,766,847)	
Gain on disposal of assets and liabilities	-	-	-	216,227	216,227	
Surplus before taxation	59,999,540	(23,777,690)	36,221,850	20,671,230	(15,550,620)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	59,999,540	(23,777,690)	36,221,850	20,671,230	(15,550,620)	

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Statement of Comparison of Budget and Actual Amounts**Budget on Cash Basis**

Figures in Rand	Approved budget 2017/2018	Adjustments	Final Budget 2017/2018	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation						

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget 2017/2018	Adjustments	Final Budget 2017/2018	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	6,500,000	-	6,500,000	5,558,476	(941,524)	
VAT receivable	-	-	-	6,797,663	6,797,663	
Call Investment Deposit	10,000,000	(10,000,000)	-	-	-	
Cash and cash equivalents	1,500,000	-	1,500,000	428,466	(1,071,534)	
	18,000,000	(10,000,000)	8,000,000	12,784,605	4,784,605	
Non-Current Assets						
Property, plant and equipment	95,000,000	171,357,248	266,357,248	244,939,698	(21,417,550)	
Intangible assets	320,000	1,130,294	1,450,294	761,780	(688,514)	
	95,320,000	172,487,542	267,807,542	245,701,478	(22,106,064)	
Total Assets	113,320,000	162,487,542	275,807,542	258,486,083	(17,321,459)	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	1,223,707	1,223,707	
Finance lease obligation	-	-	-	1,692,401	1,692,401	
Payables from exchange transactions	9,500,000	-	9,500,000	32,169,604	22,669,604	
Unspent conditional grants and receipts	-	-	-	5,223,279	5,223,279	
Provisions	-	-	-	40,000	40,000	
	9,500,000	-	9,500,000	40,348,991	30,848,991	
Non-Current Liabilities						
Other financial liabilities	-	-	-	5,865,978	5,865,978	
Finance lease obligation	-	-	-	3,193,684	3,193,684	
	-	-	-	9,059,662	9,059,662	
Total Liabilities	9,500,000	-	9,500,000	49,408,653	39,908,653	
Net Assets	103,820,000	162,487,542	266,307,542	209,077,430	(57,230,112)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	103,820,000	162,487,542	266,307,542	209,077,430	(57,230,112)	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (L.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (L.t.o. s31 of the MFMA)	Allocation (L.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	5,975,000	2,499,540	9,474,540	-	9,474,540	13,483,564		5,009,024	159 %	226 %	
Service charges	338,000	(400)	337,600	-	337,600	476,258		139,658	141 %	141 %	
Rental Facilities	520,000	(300,000)	220,000	-	220,000	163,424		(56,576)	74 %	31 %	
Interest received (Debtors)	100,000	300,000	400,000	-	400,000	179,128		(220,972)	45 %	179 %	
Licences and permits	400,000	-	400,000	-	400,000	517,990		117,898	129 %	129 %	
Investment revenue	800,000	(300,000)	500,000	-	500,000	1,123,224		623,224	225 %	140 %	
Government grants & subsidies	156,062,000	2,374,540	158,436,540	-	158,436,540	157,333,045		(1,103,495)	99 %	101 %	
Fines, Penalties and forfeits	800,000	(500,000)	300,000	-	300,000	5,416,099		5,116,098	1,905 %	677 %	
Other revenue	15,004,540	(14,773,220)	231,320	-	231,320	1,129,147		896,927	499 %	8 %	
Total revenue (excluding capital transfers and contributions)	179,899,540	(10,699,640)	188,300,000	-	169,300,000	170,820,777		10,620,777	106 %	100 %	
Employee costs	(42,903,692)	(3,390,399)	(46,294,091)	-	(46,294,091)	(47,634,576)	-	(1,340,495)	103 %	111 %	
Remuneration of councillors	(9,849,757)	(1,641,983)	(10,490,740)	-	(10,490,740)	(10,490,739)	-	1	100 %	119 %	
Debt impairment	-	(265,000)	(265,000)		(265,000)	(6,456,397)	-	(6,191,397)	2,436 %	DIV/0 %	
Depreciation and asset impairment	-	(1,900,000)	(1,900,000)		(1,800,000)	(15,895,783)	-	(13,995,783)	872 %	DIV/0 %	
Finance charges	-	(152,624)	(152,624)	-	(152,624)	(1,609,952)	-	(1,457,028)	1,055 %	DIV/0 %	
Contracted Services	(4,600,000)	(33,842,702)	(39,642,702)	-	(39,642,702)	(44,772,721)	-	(6,130,019)	119 %	933 %	
Other materials	-	(3,190,369)	(3,190,369)	-	(3,180,369)	-	-	3,190,368	- %	DIV/0 %	
Lease rentals on operational lease	-	-	-	-	-	(578,773)	-	(578,773)	DIV/0 %	DIV/0 %	
Transfers and subsidies	-	(1,210,000)	(1,210,000)	-	(1,210,000)	(1,531,755)	-	(321,755)	127 %	DIV/0 %	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. a28 and e31 of the MFMA)	Final adjustments (i.t.o. a28 and budget e31 of the MFMA)	Shifting of funds (i.t.o. a31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Operational Costs	-	-	-	-	-	-	(30,757,678)	-	(30,757,878)	DIV/0 %	DIV/0 %
Total expenditure	(58,562,446)	(45,483,076)	(102,036,625)	-	-	(102,036,625)	(158,828,076)	-	(57,482,550)	168 %	262 %
Surplus/(Deficit)	123,447,091	(88,182,616)	87,264,476	-	67,264,475	20,282,702	-	(46,871,773)	30 %	16 %	
Gain on disposal of assets and liabilities	-	-	-	-	-	216,227	-	216,227	DIV/0 %	DIV/0 %	
Surplus (Deficit) after capital transfers and contributions	123,447,091	(66,162,616)	67,264,476	-	67,264,476	20,508,829	-	(46,755,546)	30 %	17 %	
Surplus/(Deficit) for the year	123,447,091	(88,182,616)	67,264,476	-	67,264,476	20,508,829	-	(46,766,646)	30 %	17 %	

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2.1 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed, where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.2.1.1 Municipal Standard Chart of Accounts (mSCOA) Implementation and Reclassification

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective from 1 July 2017.

The main objective of this regulation is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which:

- a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard chart of accounts for national and provincial government; and
- b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 41 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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1.4 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure	Straight line	
• Roads and paving		30
• Stormwater drainage		20
Community	Straight line	
• Buildings		30
• Recreational Facilities		20-30
• Community Halls		30
• Parks and Gardens		30
• Libraries		30
Other property, plant and equipment	Straight line	
• Buildings		30
• Specialised Vehicles		10
• Other Vehicles		5
Equipment and Furniture	Straight line	
• Office Equipment		4
• Furniture and Fittings		7-10
• Bins and Containers		5
• Specialised plant and equipment		10-15
Other	Straight line	
• Emergency Equipment		15
• Computer Equipment		7
• Landfill Sites		15

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1.4 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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1.5 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 Years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

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Accounting Policies

1.6 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

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1.6 Financial instruments (continued)

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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1.7 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

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Accounting Policies

1.8 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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1.9 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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1.9 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.10 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

uMfolozi Municipality

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

1.19 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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1.19 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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Accounting Policies

1.20 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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2. New standards and interpretations

New Standards, Amendments and Interpretations to GRAP Standards Approved but not yet effective:

GRAP 32	Service Concession Arrangements: Grantor	Effective date not approved
GRAP 36	Investments in Associates and Joint Ventures	Effective date not approved
GRAP 37	Joint Arrangements	Effective date not approved
GRAP 38	Disclosure of Interests in Other Entities	Effective date not approved
GRAP 108	Statutory Receivables	Effective date not approved
GRAP 109	Accounting by Principals and Agents	Effective date not approved
GRAP 110	Living and Non-living Resources	Effective date not approved

3. Receivables from exchange transactions

Consumer Debtors	7,844,755	6,851,019
Provision for Doubtful Debts	(2,286,279)	(1,512,669)
	5,558,476	5,338,350

Reconciliation of provision for impairment of trade and other receivables

Opening balance	1,512,669	1,971,691
Provision for impairment	773,610	116,456
Sundry debtors	-	(575,478)
	2,286,279	1,512,669

4. Receivables from non-exchange transactions

Fines	5,121,778	4,723,571
Allowances for impairment	(5,121,778)	(5,239,899)
Sundry Debtors	-	578,266
	-	61,938

5. VAT receivable

VAT	6,797,663	5,891,508
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6. Summary of consumer debtors

Rates

Current (0 -30 days)	1,149,465	420,819
31 - 60 days	379,706	253,308
61 - 90 days	340,258	224,841
91 - 120 days	311,471	222,221
121 - 365 days	5,663,914	5,161,208
> 365 days	-	568,618
	7,844,814	6,851,015

Residential

Current (0 - 30 days)	469,301	109,604
31 - 60 days	121,975	87,892
61 - 90 days	110,228	72,256
91 - 120 days	100,673	63,977
121 - 365 days	2,587,703	2,017,839
> 365 days	-	140,615
	3,389,880	2,492,183
Less: Allowance for impairment	(1,498,203)	(843,465)
	1,891,677	1,648,718

Commercial and Industrial

Current (0 - 30 days)	489,934	202,470
31 - 60 days	57,895	62,136
61 - 90 days	53,267	53,731
91 - 120 days	46,888	43,516
121 - 365 days	855,999	1,466,801
> 365 days	-	267,672
	1,503,983	2,096,326
Less: Allowance for impairment	(788,075)	(669,202)
	715,908	1,427,124

National and provincial government

Current (0 -30 days)	(4,938)	90,724
31 - 60 days	147,128	88,830
61 - 90 days	139,626	87,266
91 - 120 days	133,303	105,858
121 - 365 days	1,609,725	1,304,819
> 365 days	-	96,269
	2,024,844	1,773,766

Farmers

Current (0 -30 days)	-	17,452
31 - 60 days	-	14,039
61 - 90 days	-	11,191
91 - 120 days	-	8,477
121 - 365 days	-	353,619
> 365 days	-	63,277
	-	468,055

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6. Summary of consumer debtors (continued)

Transnet and Mondi

Current (0 -30 days)	-	568
31 - 60 days	-	411
61 - 90 days	-	398
91 - 120 days	-	394
121 - 365 days	-	18,130
> 365 days	-	784
	-	20,685

Business service levies

Current (0 -30 days)	191,865	420,819
31 - 60 days	51,862	253,308
61 - 90 days	36,292	224,841
91 - 120 days	29,777	222,221
121 - 365 days	614,868	5,161,208
> 365 days	-	568,618
	924,664	6,851,015

Traditional land

Current (0 -30 days)	3,304	-
31 - 60 days	846	-
61 - 90 days	846	-
91 - 120 days	830	-
121 - 365 days	5,622	-
	11,448	-

Total

Current (0 - 30 days)	1,149,465	420,819
31 - 60 days	379,706	253,308
61 - 90 days	340,258	224,841
91 - 120 days	311,471	222,221
121 - 365 days	5,663,914	5,161,208
> 365 days	-	568,618
	7,844,814	6,851,015
Less: Allowance for impairment	(2,286,278)	(1,512,668)
	5,558,536	5,338,347

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	114,495	-
Bank balances	219,327	1,574,833
Other cash and cash equivalents	94,644	38,886
	428,466	1,613,719

Cash on hand is cash in transit

(114,495)

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7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA BANK - Account Type - Cheque - 40 5385 7155	219,327	1,567,153	200,983	219,327	1,574,832	202,483
ABSA BANK - Account Type - Traffic - 40 7854 4599	1,500	17,172	167	1,500	17,172	167
ABSA BANK - Account Type - INEG - 92 8652 5057	2,039	2,039	1,920	2,039	2,039	1,920
ABSA BANK - Account Type - MIG - 92 8651 3913	1,507	1,603	1,509	1,507	1,603	1,509
ABSA BANK - Account Type - EPWP - 92 8651 3769	1,107	1,144	1,077	1,107	1,144	1,077
ABSA BANK - Account Type - FMG - 92 8652 5340	1,203	1,211	1,211	1,203	1,211	1,211
ABSA BANK - Account Type - MSIG - 92 8651 3028	1,425	1,452	1,367	1,425	1,452	1,367
ABSA BANK - Account Type - Call Account - 91 0739 9765	2,062	2,817	2,668	2,062	2,817	-
ABSA BANK - Account Type - Traffic - 40 6506 2322	2,495	11,449	870	2,495	11,449	870
ABSA BANK - Account Type - 93 3848 2339	81,582	-	-	81,582	-	-
Total	314,247	1,606,040	211,772	314,247	1,613,719	210,604

8. Property, plant and equipment

	2018		2017	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	10,404,853	-	10,404,853	-
Machinery and Equipment	2,427,599	(1,440,930)	986,669	1,676,222
Furniture and Office Equipment	3,176,562	(1,919,173)	1,257,389	2,730,052
Computer equipment	2,332,273	(1,173,727)	1,158,546	1,930,007
Leased Transport Assets	9,672,492	(4,270,479)	5,402,013	10,630,802
Road Infrastructure	88,913,074	(16,771,707)	72,141,367	74,204,441
Community Assets	111,734,903	(23,647,526)	88,087,377	103,070,609
Storm Water Infrastructure	286,174	(195,705)	90,469	286,174
Water Supply Infrastructure	28,646	(3,395)	25,251	28,646
Other Assets	20,219,945	(8,099,673)	12,120,272	20,219,945
Leased Furniture and Office Equipment	1,174,323	(1,166,716)	7,607	1,174,323
Work in Progress	50,859,612	-	50,859,612	54,084,487
Transport Assets	6,821,909	(4,423,636)	2,398,273	5,428,471
Total	308,052,365	(63,112,667)	244,939,698	285,869,032
				(56,667,623)
				229,201,409

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Donations	Transfers	Depreciation	Impairment loss	Total
Land	10,404,853	-	-	-	-	-	-	10,404,853
Machinery and equipment	360,377	15,083	-	738,295	-	(125,086)	-	588,869
Furniture and office equipment	936,544	118,930	-	327,581	-	(125,666)	-	1,257,389
Computer equipment	912,125	337,994	-	64,272	-	(155,845)	-	1,158,546
Leased transport assets	6,531,842	-	(431,773)	-	-	(698,056)	-	5,402,013
Road Infrastructure	60,010,018	-	-	-	14,708,988	(2,577,839)	-	72,141,367
Community assets	82,257,715	-	-	-	8,664,298	(2,834,636)	-	88,087,377
Storm water infrastructure	94,473	-	-	-	-	(4,004)	-	90,469
Water supply infrastructure	27,055	-	-	-	-	(1,804)	-	25,251
Other assets	12,558,532	-	-	-	-	(438,260)	-	12,120,272
Leased furniture and office equipment	9,509	-	-	-	-	(1,902)	-	7,607
Work in progress	54,084,487	27,812,129	-	-	(23,373,288)	-	(7,683,718)	50,859,612
Transport assets	1,013,879	2,152,942	-	-	-	(768,548)	-	2,398,273
	229,201,409	30,437,078	(431,773)	1,128,148	-	(7,731,446)	(7,663,718)	244,939,698

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through transfer of functions / mergers	Transfers	Depreciation	Impairment loss	Total
Land	10,404,853	-	-	-	-	-	10,404,853
Machinery and Equipment	281,878	324,907	-	-	(246,408)	-	360,377
Furniture and office equipment	274,039	-	847,311	-	(184,806)	-	936,544
Computer equipment	378,090	324,907	363,133	-	(154,005)	-	912,125
Leased transport assets	7,229,898	-	-	-	(698,056)	-	6,531,842
Road Infrastructure	22,142,306	3,836,000	-	35,582,474	(1,550,762)	-	60,010,018
Community assets	59,960,677	-	7,244,615	18,506,706	(4,454,283)	-	82,257,715
Storm water infrastructure	98,477	-	-	-	(4,004)	-	94,473
Water supply infrastructure	28,859	-	-	-	(1,804)	-	27,055
Other Assets	12,758,345	95,163	-	-	(294,976)	-	12,558,532
Leased furniture and office equipment	11,411	-	-	-	(1,902)	-	9,509
Work in progress	68,582,577	35,914,020	5,378,685	(55,089,180)	-	(701,615)	54,084,487
Transport Assets	1,313,441	162,453	-	-	(462,015)	-	1,013,879
	183,464,851	40,657,450	13,833,744	-	(8,053,021)	(701,615)	229,201,409

Pledged as security

None of the Municipal assets are pledged as security

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8. Property, plant and equipment (continued)

Property, plant and equipment that is being constructed/developed

Included in property, plant and equipment that have been identified as taking significantly longer period of time to complete than expected, due to the following:

uMfolozi Thusong Centre

26,891,687 26,891,687

The delays were due to funding issues.

Included in the current amount, are property, plant and equipment that have been identified as halted during current and prior reporting periods, due to the following:

uMfolozi Thusong Centre

26,891,687 26,891,687

The delays were due to funding issues.

Impairment losses have been recognised for property, plant and equipment that has been halted as follows:

Bhekinkhlanhla Creche	104,597	-
Luhlanga Creche	129,308	-
Mabholola Market Stalls	79,864	-
Mathunzi Creche	1,103,856	-
Mndungandlovu Creche	806,323	-
Mphathiswa Small Playground	107,831	-
Mvazane Sport Centre	4,274,829	-
Mzingazi Small Playground	199,328	-
Oshwashweni Stalls	9,897	-
Thandanani Creche	847,886	-
Empumeni Small Playground	-	219,600
Mpathiswano Small Playground	-	82,384
Mvamanzi Small Playground	-	399,652
	7,663,719	701,616

Reconciliation of Work-in-Progress 2018

	Included within Road Infrastructure	Included within Community Assets	Total
Opening balance	6,931,297	47,153,189	54,084,486
Additions/capital expenditure	8,093,041	19,719,088	27,812,129
Impairment	-	(7,663,717)	(7,663,717)
Transferred to completed items	(14,708,988)	(8,664,298)	(23,373,286)
	315,350	50,544,262	50,859,612

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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Total
Opening balance	42,460,284	26,122,293	68,582,577
Additions/capital expenditure	17,730,626	18,183,394	35,914,020
Additions through mergers	5,378,685	-	5,378,685
Impairment	-	(701,615)	(701,615)
Transferred to completed items	(35,582,474)	(19,506,706)	(55,089,180)
	29,987,121	24,097,366	54,084,487

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Computer Equipment	22,354	-
Furniture & Office Equipment	28,385	-
Leased Transport Assets	421,775	-
Road Infrastructure	937,082	-
Community Assets	3,647,947	-
Other Assets	194,868	-
Transport Assets	578,971	-
	5,831,382	-

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,371,925	(610,145)	761,780	1,259,469	(309,175)	950,294

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	950,294	112,454	(300,968)	761,780

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	11,577	1,096,491	(157,774)	950,294

Pledged as security

None of the Municipal assets pledged as security:

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10. Other financial liabilities

At amortised cost

- non-current liabilities	5,865,978	6,283,565
- current liabilities	1,223,707	1,223,707
The following loan bears interest at 10.93% per annum, with bi-annual instalments of R611 853.57 in July and January. The loan is repayable by 1 January 2019 and the capital portion amounts to R336 212.37		
	7,089,685	7,507,272

Non-current liabilities

Designated at fair value	5,865,978	6,283,565
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Current liabilities

Designated at fair value	1,223,707	1,223,707
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11. Finance lease obligation

Minimum lease payments due

- within one year	2,112,569	2,353,167
- in second to fifth year inclusive	3,562,153	6,097,961
	5,674,722	8,451,128
less: future finance charges	(788,637)	(1,442,345)
Present value of minimum lease payments	4,886,085	7,008,783

Present value of minimum lease payments due

- within one year	1,692,401	1,728,379
- in second to fifth year inclusive	3,193,684	5,280,404
	4,886,085	7,008,783

Non-current liabilities

Current liabilities	3,193,684	5,280,405
	4,886,085	7,008,784

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2017: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

12. Payables from exchange transactions

Trade payables	22,430,739	24,874,415
Accrued leave pay	2,002,236	1,912,025
Other creditors	4,305,985	4,154,707
Retention	3,430,648	3,545,956
	32,169,608	34,487,103

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13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	59,110	-
Spatial Development Framework	260,964	379,627
Housing Grant	-	1,431,956
Library Grant	1,492,916	851,936
Beach Access Grant	243,647	243,647
Development Planning and Shared Services	172,498	172,498
Small Town Rehabilitation	434,840	1,633,228
Sports and Recreation	2,502,304	1,274,557
Schemes Support Programme	57,000	57,000
	5,223,279	6,044,449

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

14. Service charges

Refuse removal	476,258	343,326
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15. Rental of facilities and equipment

Premises		
Premises	64,744	194,305

16. Operational Revenue

Sale of tender documents	29,391	156,650
SDL refund	88,274	76,916
Miscellaneous income	-	712,850
Staff recoveries	(2,994)	-
Insurance proceed	64,457	-
Donations	195,500	-
	374,628	946,416

17. Property rates

Rates received

Property rates	20,762,192	11,893,440
Less: Income forgone	(7,278,628)	(4,391,523)
	13,483,564	7,501,917

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18. Government grants and subsidies

Operating grants

Equitable share	107,114,000	98,724,000
Sports and Recreation Grants	2,772,253	2,725,443
Spatial Development Framework	-	220,373
Beach Access Upgrade Grant	-	57,963
Small Town Rehabilitation Grant	3,198,389	4,367,998
Library Grant	1,366,513	1,070,064
Financial Management Grant	1,900,000	1,825,000
Expanded Public Works Program Grant	1,418,000	1,649,000
Integrated National Electrification Grant	13,000,000	9,725,000
	130,769,155	120,364,841

Capital grants

Municipal Infrastructure Grants	26,563,890	24,049,000
	157,333,045	144,413,841

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 325,763 which is funded from the grant.

Municipal Infrastructure Grants

Balance unspent at beginning of year	-	24,049,000
Current-year receipts	26,623,000	(24,049,000)
Conditions met - transferred to revenue	(26,563,890)	-
	59,110	-

The grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and for financial reporting purposes the assets recognition criteria is met. The revenue recognition met the conditions of the grant.

Spatial Development Framework

Balance unspent at beginning of year	260,964	600,000
Conditions met - transferred to revenue	-	(220,373)
	260,964	379,627

Conditions still to be met - remain liabilities (see note 13).

Housing Grant

Balance unspent at beginning of year	1,431,956	1,431,956
Other	(1,431,956)	-
	-	1,431,956

This grant is unconditional and was used for human settlement operational expenses within the municipality.

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18. Government grants and subsidies (continued)

Library Grant

Balance unspent at beginning of year	851,936	-
Current-year receipts	2,007,000	1,922,000
Conditions met - transferred to revenue	(1,366,513)	(1,070,064)
	<u>1,492,423</u>	<u>851,936</u>

Conditions still to be met - remain liabilities (see note 13).

Beach Access Upgrade

Balance unspent at beginning of year	243,647	301,611
Conditions met - transferred to revenue	-	(57,964)
	<u>243,647</u>	<u>243,647</u>

Conditions still to be met - remain liabilities (see note 13).

Development Planning and Shared Services

Balance unspent at beginning of year	172,498	172,498
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Conditions still to be met - remain liabilities (see note 13).

Small Town Rehabilitation Grant

Balance unspent at beginning of year	1,633,228	3,001,226
Current-year receipts	2,000,000	3,000,000
Conditions met - transferred to revenue	(3,198,388)	(4,367,998)
	<u>434,840</u>	<u>1,633,228</u>

Conditions still to be met - remain liabilities (see note 13).

Sports and Recreation Grant

Balance unspent at beginning of year	1,274,557	-
Current-year receipts	4,000,000	4,000,000
Conditions met - transferred to revenue	(2,772,253)	(2,725,443)
	<u>2,502,304</u>	<u>1,274,557</u>

Conditions still to be met - remain liabilities (see note 13).

Financial Management grant

Current-year receipts	1,900,000	-
Conditions met - transferred to revenue	(1,900,000)	-
	<u>-</u>	<u>-</u>

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18. Government grants and subsidies (continued)**Expanded public works program grant**

Current-year receipts	1,418,000	-
Conditions met - transferred to revenue	(1,418,000)	-
	-	-

Integrated national electrification grant

Current-year receipts	13,000,000	-
Conditions met - transferred to revenue	(13,000,000)	-
	-	-

Schemes support program

Balance unspent at beginning of year	57,000	57,000

Conditions still to be met - remain liabilities (see note 13).

19. Donations received

Donations	1,128,147	-

Assets were donated to the library by the Department of Arts and Culture.

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20. Employee related costs

Basic	30,775,180	25,552,053
Bonus	1,790,022	1,255,749
Medical aid - company contributions	2,460,262	1,960,541
UIF	243,791	196,327
WCA	-	224,808
SDL	490,091	307,589
Pension	3,619,841	2,894,470
Leave pay provision charge	90,211	725,057
Overtime payments	1,905,707	1,212,434
Acting allowances	-	207,175
Car allowance	4,588,710	3,565,431
Housing benefits and allowances	161,911	146,776
Cellphone Allowances	310,238	277,920
Funeral Scheme	-	77,712
Group Life Insurance	1,184,711	756,608
Bargaining Council	13,901	12,764
	47,634,576	39,373,414

Remuneration of Municipal Manager

Annual Remuneration	997,813	895,896
Car Allowance	411,986	408,473
Contributions to UIF, Medical and Bargaining Council	55,882	58,991
	1,465,681	1,363,360

Remuneration of Chief Finance Officer

Annual Remuneration	318,845	724,561
Car Allowance	125,000	300,000
Contributions to UIF, Medical and Bargaining Council	9,779	22,236
	453,624	1,046,797

Remuneration of Corporate Services Director

Annual Remuneration	746,174	423,677
Car Allowance	108,000	72,000
Contributions to UIF, Medical and Bargaining Council	37,635	24,118
Lump Sum	-	52,481
	891,809	572,276

Remuneration of Technical Services Director

Annual Remuneration	686,227	549,533
Car Allowance	220,244	194,477
Contributions to UIF, Medical and Bargaining Council	37,794	35,682
	944,265	779,692

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20. Employee related costs (continued)

Remuneration of Community Services Director

Annual Remuneration	672,212	650,314
Car Allowance	306,981	295,174
Contributions to UIF, Medical and Bargaining Council	45,961	40,209
	1,025,154	985,697

21. Remuneration of councillors

Mayor	333,012	300,026
Deputy Mayor	266,409	248,002
Executive Committee Members	749,291	644,617
Speaker	355,212	243,573
Councillors Allowances	6,035,602	5,332,861
Cellphone Allowances	1,346,400	749,293
Travel Allowances	1,286,013	1,104,754
Councillors' SDL	-	81,426
Data Allowances	118,800	118,277
Former Deputy Mayor	-	38,593
	10,490,739	8,861,422

22. Depreciation and amortisation

Property, plant and equipment	7,731,097	8,052,663
Intangible assets	300,968	157,774
	8,032,065	8,210,437

23. Impairment of assets

Impairments

Property, plant and equipment	7,663,718	701,615
Contractors who where contracted by the Municipality did not fulfill their duties in terms of the completion of the projects. This event led to possible indications of impairment. When assessing the recoverable amount it was determined that all costs incurred for the relevant projects were no longer recoverable.		

24. Finance costs

Non-current borrowings	806,121	507,272
Finance leases	600,989	612,174
Other interest paid	202,542	-
	1,609,652	1,119,446

25. Debt impairment

Debt impairment	561,009	-
Contributions to debt impairment provision	773,610	1,099,277
Bad debts written off	5,121,778	5,708,043
	6,456,397	6,807,320

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26. Contracted services

Business and Advisory	10,213,305	11,582,437
Catering services	3,845,491	577,342
Cleaning services	774,408	641,431
Event promoters	773,178	1,436,237
Information Technology Services	4,264,255	4,581,888
Integrated National Electrical Program	11,333,945	9,146,093
Legal services	376,068	641,431
Mayoral Projects	-	1,600,465
Medical Services	165,208	-
Infrastructure and Planning	376,919	-
Sewerage Services	269,423	-
Other Contractors	833,293	10,166,207
Repairs and maintenance	5,831,382	3,821,156
Security services	5,279,901	2,668,007
Stage and crew	184,294	-
Transport Services	177,069	338,000
Valuation	-	337,278
	44,698,139	47,537,972

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27. Operational Costs

Advertising and publicity	7,902,520	5,201,859
Auditors remuneration	2,209,675	1,624,253
Bank charges	218,648	114,368
Bursaries	187,800	510,840
Cleaning materials	-	104,591
Community Development and Training	-	1,107,906
Computer expenses	121,336	141,436
Conferences and seminars	219,306	56,211
Consulting and professional fees	1,534,943	678,183
Consumables	2,442,947	27,274
Donations	-	230,689
Electricity	2,252,387	1,961,541
Entertainment	158,224	438,335
Fuel and oil	2,713,189	2,412,152
Grants and donations	-	2,080,361
Management Fee	176,131	-
Hire	959,308	-
Indigent	381,517	-
Insurance	395,368	351,541
LED expenses	-	379,017
Magazines, books and periodicals	-	129,089
Motor vehicle expenses	7,110	352,415
Gifts	51,978	-
Postage and courier	11,847	22,429
Sitting Allowance	10,000	-
Printing and stationery	356,382	831,535
Protective clothing	-	176,386
Small tools	-	119,032
Staff welfare	345,750	253,942
Subscriptions and membership fees	-	508,355
Sundries	229,868	156,100
Telephone and fax	1,330,986	984,741
Training	-	609,001
Travel - local	4,394,864	10,064,814
Uniforms	508,622	31,011
Ward committees remuneration	1,549,256	-
	30,669,962	31,659,407

28. Auditors' remuneration

Fees	2,209,675	1,624,253
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29. Cash generated from operations

Surplus	20,866,728	25,323,747
Adjustments for:		
Depreciation and amortisation	8,032,065	8,210,786
Loss on sale of assets and liabilities	(216,227)	-
Finance costs - Finance leases	-	1,119,446
Impairment deficit	7,663,718	701,615
Debt impairment	6,456,397	6,807,320
Movements in provisions	40,000	-
Other non-cash items	206,382	(9,957,646)
Changes in working capital:		
Receivables from exchange transactions	(220,126)	5,464,242
Consumer debtors	(6,456,397)	(6,807,320)
Other receivables from non-exchange transactions	61,938	(18,640)
Payables from exchange transactions	(2,317,498)	9,323,417
VAT	(906,155)	(2,792,312)
Unspent conditional grants and receipts	(821,170)	480,158
	32,389,655	37,854,813

30. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	5,558,476	5,558,476
Cash and cash equivalents	428,466	428,466
	5,986,942	5,986,942

Financial liabilities

	At amortised cost	Total
Other financial liabilities	7,089,685	7,089,685
Trade and other payables from exchange transactions	30,825,371	30,825,371
Finance Leases	4,886,085	4,886,085
	42,801,141	42,801,141

2017

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	5,338,350	5,338,350
Other receivables from non-exchange transactions	61,938	61,938
Cash and cash equivalents	1,613,719	1,613,719
	7,014,007	7,014,007

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30. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	7,507,272	7,507,272
Trade and other payables from exchange transactions	34,399,383	34,399,383
Finance leases	7,008,783	7,008,783
	48,915,438	48,915,438

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Community	1,319,031	12,079,039
• Infrastructure	1,822,259	6,455,883
	3,141,290	18,534,922

Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	-	18,534,922
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Total capital commitments

Already contracted for but not provided for

3,141,290

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

32. Comparative figures

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

The effects of the reclassification are as follows:

33. Unauthorised expenditure

Opening balance	89,001,176	62,386,684
Current year	26,287,624	26,614,492
	115,288,800	89,001,176

34. Fruitless and wasteful expenditure

Opening balance	1,052,074	1,052,074
Current year	196,562	-
	1,248,636	1,052,074

35. Irregular expenditure

Opening balance	73,505,116	70,512,131
Add: Irregular Expenditure - current year	15,391,697	2,992,985
	88,896,813	73,505,116

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36. Events after the reporting date

There were no adjusting events after reporting period.

37. Prior period errors

Capital projects which were completed during prior years were incorrectly included under the work-in-progress line item.

Capital projects which were halted due to various reasons and the cost of which was no longer recoverable were not impaired in the relevant financial period.

Expenditure was accounted for on cash basis and not on the accruals basis.

The correction of the error(s) results in adjustments as follows:

	As previously reported	Adjustment	Currently reported
PPE - Community Assets	82,373,251	(115,536)	82,257,715
PPE - Road Infrastructure	55,129,700	4,880,318	60,010,018
PPE - Work in Progress	59,799,305	(5,714,818)	54,084,487
Payables from exchange transactions	34,399,383	87,719	34,487,102
Depreciation	7,962,364	248,421	8,210,785
Impairment	-	701,615	701,615
Operating Expenditure	31,747,126	(87,719)	31,659,407
	271,411,129	-	271,411,129

38. Municipal Standard Chart of Accounts (mSCOA) Reclassification

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistant with the prior year except for the adoption and implementation of the Municipal Standard Chart of Accounts (mSCOA) which regulates standard classification of municipal budget and financial information.

The aggregate effect of the implementation of the Municipal Standard Chart of Accounts (mSCOA) on the annual financial statements for the year ended 30 June 2017 is as follows:

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38. Municipal Standard Chart of Accounts (mSCOA) Reclassification (continued)

Statement of financial position

2017

	Note	As previously reported	Adjustment	After Reclassification
Buildings		3,651,193	(3,651,193)	-
Leased Motor Vehicles		6,531,844	(6,531,844)	-
Leased Office Equipment		9,509	(9,509)	-
Infrastructure		71,034,235	(71,034,235)	-
Other Property Plant and Equipment		3,212,694	(3,212,694)	-
Work in progress - Community		20,261,503	(20,261,503)	-
Work in progress - Infrastructure		33,822,983	(33,822,983)	-
Community Assets		-	6,865,438	6,865,438
Computer Equipment		-	912,125	912,125
Furniture and Office Equipment		-	936,544	936,544
Leased furniture and office equipment		-	9,509	9,509
Leased transport assets		-	6,531,842	6,531,842
Machinery and equipment		-	360,377	360,377
Other assets		-	12,558,532	12,558,532
Road Infrastructure		-	55,129,700	55,129,700
Storm water infrastructure		-	94,473	94,473
Transport assets		-	1,013,879	1,013,879
Water supply infrastructure		-	27,055	27,055
Work in progress		-	54,084,487	54,084,487
		138,523,961	-	138,523,961

Statement of financial performance

2017

	Note	As previously reported	Adjustment	After Reclassification
Total revenue from exchange transactions		3,535,366	-	3,535,366
Total revenue from non-exchange transactions		166,791,629	-	166,791,629
Employee related costs		(37,696,372)	(1,677,042)	(39,373,414)
Remuneration of councillors		(8,861,422)	-	(8,861,422)
Depreciation and amortisation		(8,210,786)	-	(8,210,786)
Impairment loss		(701,615)	-	(701,615)
Finance costs		(1,119,446)	-	(1,119,446)
Lease rentals		-	(731,866)	(731,866)
Debt impairment		(6,807,320)	-	(6,807,320)
Repairs and maintenance		(3,821,156)	3,821,156	-
Contracted services	26	(3,984,716)	(43,553,256)	(47,537,972)
Transfers and subsidies		(10,823,135)	10,823,135	-
General expenditure	27	(62,977,280)	31,317,873	(31,659,407)
Surplus for the year		25,323,747	-	25,323,747

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38. Municipal Standard Chart of Accounts (mSCOA) Reclassification (continued)

Repairs and maintenance

Previously stated	-	3,821,156
Adjustment	-	(3,821,156)
	-	-

Contracted Services

Previously stated	-	3,984,716
Adjustment	-	43,553,256
	-	47,537,972

Operational costs

Previously stated	-	62,977,280
Adjustment	-	(31,317,873)
	-	31,659,407

Sale of tender documents

Previously stated	-	156,650
Adjustment	-	(156,650)
	-	-

Miscellaneous income

Previously stated	-	789,766
Adjustment	-	(789,766)
	-	-

Operational Income

Adjustment	-	946,416
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39. Risk management

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Receivables	5,558,476	5,338,350
Fixed interest loan to ABSA	7,089,685	7,507,272

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40. Additional disclosure in terms of Municipal Finance Management Act

VAT

VAT receivable	6,797,663	5,891,508
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2018:

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Current year deviations for section 36

Emergency quotations	-	1,627,578
Goods/ services were urgently required	318,656	-
Preferred supplier	135,388	-
Goods/ services required are produced/ available from single provider	531,227	-
Only two quotations were received	125,537	-
	1,110,808	1,627,578

41. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Legal proceedings	-	40,000	40,000

Legal proceedings provisions

Dondotha Housing Project

This is an Equality Court referral against the Municipality. The matter is litigated and ready for trial, pending the pre-trial conference schedule for 18 January 2019.

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42. Contingencies

Funinkomo Mpungose/ uMfolozi Local Municipality & 3 others	20,000	-
Telkom	309,884	-
Lommel Construction/ Bencon Richards Bay CC	150,000	-
	479,884	-

Funinkomo Mpungose/ uMfolozi Local Municipality & 3 others

An application for contempt of Court for failing to comply with a ruling issued in terms of section 30M of the Pension Fund Act 24 of 1956 dated 5 May 2017.

Telkom

Letter of demand received for payment in the amount of R 309 884.10 . There is a possible liability based on principle of strict liability. The alleged claim arose on or about 31 August 2016.

Lommel Construction/ Bencon Richards Bay CC

This is a contractual dispute. Demands have been addressed against the Municipality for payments in an amount of R 1 800 000. No Litigation by way of arbitration or Summons has been initiated.

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43. Budget differences

Material differences between budget and actual amounts

1. Service Charges - There was a new valuation roll and reduction on rebates percentage.
2. Rental of facilities and equipment - Decrease in hall hire and termination of WDB rental.
3. Interest Received (Debtors) - Long outstanding debt by government was paid.
4. Licences and permits - High demand in learners licence applications.
5. Property Rates - There was a new valuation roll and reduction on rebates percentage.
6. Fines, Penalties and Forfeits - There was a higher number of roadblocks done during the year.
7. Other Revenue - There was a donation from the Department of Arts and Culture for the new Library.
8. Employee Related Costs - Notch progression was not budgeted for.
9. Depreciation and amortisation - More Work in progress projects were completed during the current year.
10. Impairment loss - The engineers found infrastructure assets that were not up to standard during conditional assessments.
11. Lease rentals - New photocopying machines were leased during the current year.
12. Debt impairment - Prior year incorrect classification of rates categories.
13. Contracted services - Increase in number of security safeguards at municipal premises and increase in repairs in community halls.
14. Operational costs - Increase in advertising and publicity plus consumables during current year.

Changes from the approved budget to the final budget

Property rates were increased as there has been implementation of new general valuation roll and collection has increased more than expected.

Property rates penalties and collection charges were adjusted it was under budgeted originally.

Rental of Office building has been reduced as none of the Departments will be utilising the Community Service Centre as it is incomplete.

Interest on external investments was adjusted as it was reassessed that the collection of R800 000 is no longer realistic. Short term Investments were only made in the month of December 2017.

Traffic fines have been reduced as it is not realistic to collect fines as anticipated.

Operational Transfers and Subsidies were also adjusted by an amount of R13 million previously allocated as capital transfers and 5% of Municipal Infrastructure Grant spent on PMU services.

Other income was also adjusted and reduced due to VAT refunds previously budgeted as income.

Capital Transfers were also adjusted and included the R2 million for Small Town Rehabilitation.

Employee related cost was adjusted to R46.2 million to accommodate notch progression.

Remuneration for councillors has been adjusted because of the Gazette on upper limits issued in December 2017

Contracted services have been adjusted and reclassified due to mSCOA reporting requirements and also includes some expenditure previously included as other expenditure.

uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

43. Budget differences (continued)

Transfer Grants and Donation has been adjusted and reclassified due to mSCOA reporting requirements.

Other expenditure has been adjusted due to correction of misclassification per mSCOA requirements.

Capital Expenditure has also been reduced due to Electrification Programme expenditure previously classified as capital expenditure as well as non-completion of Thusong Centre. It also includes Small Town Rehabilitation expenditure of R2 million.

uMfolozi Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation	Accumulated depreciation
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Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand	
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Land sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Infrastructure														
Roads, Pavements & Bridges	74,204,441	-	-	6,762,892	-	-	80,967,333	(14,194,423)	-	(1,840,152)	-	(16,934,575)	64,932,758	
Storm water	285,174	-	-	-	-	-	255,174	(181,701)	-	(4,004)	-	(195,705)	80,469	
Water Supply	28,646	-	-	-	-	-	28,648	(1,591)	-	(7,804)	-	(3,385)	25,251	
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	
Water Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	
Drainage & Retainment	-	-	-	-	-	-	-	-	-	-	-	-	-	
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	
Retardation	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Ground	-	-	-	-	-	-	-	-	-	-	-	-	-	
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other (Fibre optic, WiFi infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	
74,519,361	-	-	6,762,892	-	-	81,282,153	(14,387,716)	-	(1,845,960)	-	(18,233,875)	65,048,478		
Community Assets	103,070,808	-	-	5,044,516	-	-	108,115,125	(20,812,882)	-	(2,547,257)	-	(23,480,140)	84,654,985	

uMfolozi Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation	Accumulated depreciation
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uMfolozi Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	74,519,261	-	-	6,762,892	-	-	81,282,153	(14,387,715)	-	-	(1,845,960)	-	(16,233,675)	65,048,478
Infrastructure	103,070,609	-	-	5,044,516	-	-	108,115,125	(20,812,883)	-	-	(2,647,257)	-	(23,460,140)	84,654,985
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	108,279,161	29,417,603	(1,717,814)	(11,807,403)	-	-	124,171,542	(21,467,014)	1,286,041	-	(2,292,977)	(7,663,717)	(30,137,667)	94,033,875
	285,869,031	28,417,603	(1,717,814)	-	-	-	313,558,820	(55,667,612)	1,286,041	-	(6,785,194)	(7,663,717)	(80,831,482)	243,737,338
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & other	1,259,469	127,538	-	-	-	-	1,387,007	(309,177)	-	-	(300,968)	-	(610,145)	776,852
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,250,469	127,538	-	-	-	-	1,387,007	(309,177)	-	-	(300,968)	-	(610,145)	776,852
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	74,519,261	-	-	6,762,892	-	-	81,282,153	(14,387,715)	-	-	(1,845,960)	-	(16,233,675)	65,048,478
Infrastructure	103,070,609	-	-	5,044,516	-	-	108,115,125	(20,812,883)	-	-	(2,647,257)	-	(23,460,140)	84,654,985
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	108,279,161	29,417,603	(1,717,814)	(11,807,403)	-	-	124,171,542	(21,467,014)	1,286,041	-	(2,292,977)	(7,663,717)	(30,137,667)	94,033,875
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1,259,469	127,538	-	-	-	-	1,387,007	(309,177)	-	-	(300,968)	-	(610,145)	776,852
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	287,128,500	29,545,141	(1,717,814)	-	-	-	314,955,827	(55,676,789)	1,286,041	-	(7,057,162)	(7,663,717)	(70,441,627)	244,514,200

uMfolozi Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation **Accumulated depreciation**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes/ movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings													
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure													
Roads, Pavements & Bridges	41,166,052	-	-	25,964,921	-	-	67,170,883	(12,087,975)	-	-	(1,805,949)	-	13,893,924
Storm water	205,245	-	-	-	-	-	205,245	(143,672)	-	-	(10,252)	-	[153,934]
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	701,118	-	-	1,389,362	-	-	2,090,480	(161,655)	-	-	(48,527)	-	(198,182)
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Pavements	48,417	-	-	-	-	-	48,417	(20,981)	-	-	(1,614)	-	(22,695)
Road signs	10,800	-	-	-	-	-	10,800	(6,849)	-	-	(560)	-	25,822
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	3,600
Sewage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Rank)	8,741,595	-	-	3,195,088	-	-	11,936,683	(688,118)	-	-	(344,638)	-	(1,032,766)
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WiFi infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-
80,893,237	-	-	30,569,271	-	-	-	81,462,598	(13,089,241)	-	-	(2,209,350)	-	(18,308,691)
Community Assets	71,288,074	-	-	19,506,707	-	-	8,670,377	68,445,158	(16,038,607)	-	(1,425,761)	-	(2,964,564)
													[22,428,332]
													77,036,226

uMfolozi Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation **Accumulated depreciation**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand	
Heritage assets														
Buildings Other	-	-	-	-	-	-	-	-	-	-	-	-	-	
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	
Refuse Fire Conservancy Ambulances Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
General vehicles	3,644,112	-	-	-	-	1,584,359	5,428,471	(3,644,107)	-	(442,833)	(127,651)	-	(4,414,591)	1,013,880
Plant & equipment	2,408,216	783,605	-	-	-	-	3,181,820	(1,576,244)	-	-	-	-	(1,678,244)	1,613,576
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2,405,330	20,743	-	-	-	114,870	2,540,343	(1,432,774)	-	(45,948)	(207,157)	-	(1,665,079)	855,064
Leased Vehicles	6,794,803	3,636,000	-	-	-	-	10,630,803	(2,548,197)	-	-	(1,388,651)	(3,017,158)	6,713,646	-
Office Equipment - Leased	1,174,323	-	-	-	-	-	-	1,174,323	(952,425)	-	(172,589)	-	(1,164,814)	8,505
Other movable assets	631,298	-	-	-	-	-	-	631,298	(531,298)	-	-	-	(831,298)	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	7,802,206	95,163	-	-	-	-	-	7,997,369	(4,051,200)	-	(294,976)	-	(4,346,476)	3,651,193
Land	10,404,853	-	-	-	-	-	-	10,404,853	-	-	-	-	-	10,404,853
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	72,416,438	36,585,107	-	(50,075,578)	-	-	5,374,584	64,306,261	-	-	-	-	-	64,308,251
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
107,983,876	41,320,616	-	(50,075,578)	-	-	7,077,913	106,306,131	[15,078,245]	-	(486,781)	(2,171,134)	-	(17,738,160)	88,867,871

uMfolozi Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation **Accumulated depreciation**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand		
Total property plant and equipment															
Land and buildings	50,893,237	-	-	30,569,271	-	61,462,505	(13,099,241)	-	-	(2,209,350)	-	(15,308,591)	66,153,917		
Infrastructure	71,288,074	-	-	19,505,707	-	6,670,377	66,465,158	(18,038,607)	-	(1,425,781)	(2,954,564)	(22,428,932)	77,036,226		
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-		
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-		
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other assets	107,983,578	41,320,618	-	(50,075,978)	-	7,077,913	106,308,151	(15,078,245)	-	(485,781)	(2,171,134)	-	(17,738,160)	88,567,971	
	230,164,888	41,320,618	-	-	-	15,748,290	287,233,797	(46,216,093)	-	(1,814,542)	(7,345,048)	-	(55,478,883)	231,758,114	
Agricultural/Biological assets															
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-		
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-		
	-	-	-	-	-	-	-	-	-	-	-	-	-		
Intangible assets															
Computers - software & other	162,878	1,096,491	-	-	-	-	1,259,469	(151,401)	-	-	(157,776)	-	(309,177)	950,292	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	162,878	1,096,491	-	-	-	-	1,259,469	(151,401)	-	-	(157,776)	-	(309,177)	950,292	
Investment properties															
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total															
Land and buildings	50,893,237	-	-	30,569,271	-	61,462,505	(13,099,241)	-	-	(2,209,350)	-	(15,308,591)	66,153,917		
Infrastructure	71,288,074	-	-	19,505,707	-	6,670,377	66,465,158	(18,038,607)	-	(1,425,781)	(2,954,564)	(22,428,932)	77,036,226		
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-		
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-		
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other assets	107,983,578	41,320,618	-	(50,075,978)	-	7,077,913	106,308,151	(15,078,245)	-	(485,781)	(2,171,134)	-	(17,738,160)	88,567,971	
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Intangible assets	162,878	1,096,491	-	-	-	-	1,259,469	(151,401)	-	-	(157,776)	-	(309,177)	950,292	
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	230,327,857	42,417,109	-	-	-	-	15,748,290	289,463,266	(46,367,494)	-	(1,814,542)	(7,502,824)	-	(55,784,880)	232,708,406